

California Energy Commission

STRATEGIC PLAN



PETE WILSON, GOVERNOR

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*“The public interest requires doing today
those things that men of intelligence and goodwill
would wish, five or ten years hence, had been done.”*

— Edmund Burke

STATEMENT FROM THE COMMISSION

In 1974, the State Legislature created the California Energy Commission to address the energy challenges facing the state. For more than 20 years, the Energy Commission has pursued its mission by using a balanced mix of policies, regulations and incentives to improve energy systems with the goal of promoting a strong economy and healthy environment. With Governor Pete Wilson's signing of the Electric Industry Restructuring Law (Assembly Bill 1890, Statutes of 1996, Chapter 854, Brulte), California is now poised to greatly reduce the government's direct involvement in utility business activities and to rely increasingly on market forces to set prices for energy services. As Governor Wilson has stated: "By dealing with this difficult issue in a comprehensive way, California will be a pace-setter in the national deregulation movement."

This change has compelled reexamination of the Energy Commission's role, as well as its programs and policies. This document is an important initial step in redefining the Energy Commission's mission as the state and the rest of the industry transition to the new market structure.

In developing the Strategic Plan, the Energy Commission gave thought to the challenges facing it, its mission and vision for the future. A vital part of the process was to learn from outside stakeholders their views concerning the role of the Energy Commission and the effectiveness of its programs. The Energy Commission engaged the services of a private consulting group, The Resources Company, to ensure confidentiality and gain candid feedback. A total of more than 40 organizations and 50 people participated, either in one of five, half-day focus group sessions, or through individual interviews.

It was also important to obtain candid feedback from Energy Commission employees. More than 200 employees filled out a detailed questionnaire as part of the internal stakeholder participation. Collectively, several hundred staff also attended one of several all-staff meetings on strategic planning. The information received from internal and external stakeholders strongly influenced the strategic directions. The Strategic Plan is not self-implementing — all must work together to implement it.

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William J. Keese, *Chairman*

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Jananne Sharpless, *Commissioner*

ACKNOWLEDGMENTS

With extensive help, thoughtfulness and suggestions from hundreds of interested people inside and outside the organization, the Energy Commission accomplished the strategic planning process. As the full list is too long to enumerate, these highlights are offered.

Executives from more than 40 companies participated in focus group meetings or interviews to share their opinions and offer suggestions. *Appendix B, External Stakeholder Analysis* summarizes results of external stakeholder participation, acknowledging these participants. Four organizations generously provided facilities to host the focus group meetings: *Natural Resources Defense Council*, *California Building Industry Association*, *V. John White Associates*, and *Pacific Gas and Electric Company*. In addition, the following people participated throughout the process: Patricia Fleming, *San Diego Gas & Electric Company*; Drake Johnson, *Southern California Edison*; Carl Blumstein, *UC Energy Institute*; Tom Willoughby, *Pacific Gas and Electric Company*; and Mike Murray, *Pacific Enterprises*.

Special thanks to those who spent additional time as panelists to answer questions from the Commissioners about the focus group process and results: Jim Cole, *California Institute for Energy Efficiency*; Jesse Fredericks, *Consumers Utility Brokerage Inc.*; Peter Guisasola, *California Building Officials*; and Mike Murray, *Pacific Enterprises*.

Energy Commission staff contributed quality time and comments in completing an extensive survey and participating in several forums, providing further clarification or developing strategies to address key issues. *Appendix C, Internal Stakeholder Analysis*, summarizes the results of staff participation.

Executive Director Stephen Rhoads initiated the process and provided essential guidance and support throughout its duration. Chief Deputy Director Kent Smith provided his insight and enthusiastic leadership, especially as the substance of challenging issues was addressed. The Deputy Directors — Cynthia Hobson, Nancy Deller, Ross Deter, Dan Nix, and Bob Therkelsen — with the assistance of their staff, worked with the Commissioners to develop the Roles, Goals and Strategies, manifesting the heart of the Plan.

Finally, special acknowledgments go to the Strategic Planning Management Team: Scott W. Matthews, Project Manager; Kat Calhoun, Assistant Project Manager; Clare Poe, Sidney Mannheim Jubien, Ezra Amir, Kelly Krohn, Chris Fultz, and Micky Carpenter, who kept the process moving, overcoming the many unanticipated changes that took place inside and outside the Energy Commission throughout this process. They were guided and assisted by the strategic planning consultants, The Resources Company, Farnum Alston-President; Laurie Thornton, Jerry Bowers, Mia Benedict, Mark Baughman and Robert Rodriquez.

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EXECUTIVE SUMMARY

Strategic Planning

In this time of change, uncertainty and governmental reform, each public agency has an obligation to ensure that it serves the public interest, and that it does so effectively and efficiently. Strategic planning — “the disciplined effort to produce fundamental decisions and actions that shape and guide what an organization is, what it does, and why it does it” [Bryson] — is a powerful tool that can be used by an agency to examine its current operations, determine what functions and activities are necessary and appropriate in light of changing circumstances, and then develop a plan for moving the agency toward the desired outcome.

For the Energy Commission, the need for strategic planning was obvious. Dramatic changes are taking place in the energy industry due to the development of increasingly competitive energy markets, culminating in 1996 with Governor Pete Wilson’s signing of Assembly Bill 1890 (AB 1890), which calls for competition in the retail electricity market. The shift away from economic regulation of energy products requires the Energy Commission to reexamine whether its existing statutory mandates still serve the public interest, and if so, how best to fulfill those mandates in view of this shift. In addition, the Energy Commission must respond to Governor Wilson’s initiatives to make state government programs and operations more efficient and effective.

The central theme emerging as a result of the process to date is that the Energy Commission must change. The Energy Commission must do what it can to facilitate the development of well-functioning competitive energy markets and to continue to work towards expanding the number and variety of energy-related products and services that can be competitively supplied. The Energy Commission is committed to meeting its new challenges, including devising new approaches for making and fulfilling recommended changes to its statutory mandates.

Energy Information and Policy

Energy information and analysis will no longer be solely of interest to government and regulated utilities providing monopoly services. With the advent of competition, all consumers and other market participants will require timely, accurate, relevant and understandable information in order to reap the benefits of competition. The Energy Commission should play a role in ensuring such information is readily available to enhance the development of well-functioning markets.

The Energy Commission has served, and should continue to serve, as the State of California’s energy policy adviser, making energy policy recommendations based on relevant, objective information and analyses that promote affordable energy supplies, improve energy reliability, and enhance health, economic well-being and environmental quality. These two objectives — information and analyses for both policy makers and market participants — are complementary.

In meeting these two objectives, the Energy Commission must become more responsive to the needs of the marketplace, including reconsideration of how it collects information and from where it is collected. New, more effective ways must be developed to collect targeted energy data that are consistent with a competitive market place. As a first step, the Energy Commission will initiate a rule-making to amend its regulations to allow for greater recognition of, and protection for, proprietary data.

Energy Efficiency/Research and Development

The goal of the Energy Commission's energy efficiency programs will be to bring the forces of competition to bear to improve the functioning of energy markets and to encourage the economic, efficient, effective and environmentally responsible use of all forms of energy. This market facilitating effort will focus on reducing market barriers and developing market incentives for energy efficient products and services.

Investment in energy-related public benefits research in such areas as energy efficiency, renewable energy resources and advanced technologies will continue to be an appropriate function for government. The Energy Commission's programs, however, must be focused on developing products and services that have a reasonable likelihood of contributing benefits through advancements in science or technology that promise to enhance California's economy or environment. The Energy Commission will follow these principles as it implements AB 1890's renewables mandates.

Regulatory Functions

The Energy Commission's one-stop permitting process, a step in the right direction for effective and efficient government, must be made more efficient and sensitive to the workings of the marketplace. The Energy Commission's power plant siting process will remain necessary to ensure that new facilities protect the public health and safety and preserve environmental quality, while contributing to an efficient and reliable energy system. In the future, the siting process must also contribute to the development of a well-functioning energy market by becoming as streamlined as possible, with minimal burdens imposed on developers.

California's building and appliance energy efficiency standards will achieve durable and reliable energy efficiency and become the foundation for energy efficient buildings and appliances. The Energy Commission will continue to work with stakeholders to improve the standards' clarity, flexibility and cost effectiveness. The Energy Commission also will endeavor to increase compliance through education to ensure that industry and governments have the tools to understand and comply with the standards, and by creating consumer demand for high quality energy efficient buildings and appliances.

Management and Personnel

The Energy Commission must ensure that it is organized and operated so it can fulfill its functions. The Energy Commission must establish, implement and maintain financial and resource allocation plans, and an organizational structure and information system, so that staff and Commissioners alike

can perform to the best of their abilities to provide high quality, cost-effective products and services in a professional manner. The Energy Commission also recognizes that it cannot accomplish its goals without creating a positive work environment that promotes individual growth, professional development, accountability, job success and recognition; cultivates open communications; and is safe, healthy and free from all forms of discrimination.

Implementation

Completion of this plan is only the first step in what is a continuous process. Beginning June 1997 and over the next few months, the Energy Commission will take action to implement the strategies set forth in this plan. One essential element is the implementation of a process for ongoing review, evaluation and revision of the strategic plan as needed to respond to changing circumstances.

Through implementation, the Energy Commission will address the challenges of change and uncertainty and fulfill its mission to assess, advocate and act through public/private partnerships to improve energy systems that promote a strong economy and a healthy environment. In this way, the Energy Commission will advance toward its vision that Californians have energy choices that are affordable, reliable, diverse, safe and environmentally acceptable.

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MISSION, VISION AND VALUES

EFFECTIVE VISION AND ORGANIZATIONAL MISSION STATEMENTS CANNOT BE FORCED UPON THE MASSES. RATHER, THEY MUST BE SET IN MOTION BY MEANS OF PERSUASION. THE PEOPLE MUST ACCEPT AND IMPLEMENT THEM WHOLEHEARTEDLY AND WITHOUT RESERVATION. WHEN THIS IS ACHIEVED, IT IS ALWAYS DONE WITH ENTHUSIASM, COMMITMENT, AND PRIDE. MOREOVER, TRULY ACCEPTED VISIONS TEND TO FOSTER INNOVATION, RISK-TAKING, EMPOWERMENT, AND DELEGATION. IF THE WORKING TROOPS UNDERSTAND WHAT IS EXPECTED OF THEM, WHAT THE ORGANIZATION IS TRYING TO ACCOMPLISH, THEN IT BECOMES POSSIBLE TO MAKE IMPORTANT DECISIONS ON LOWER LEVELS, THEREBY CREATING A CLIMATE IN WHICH RESULTS AND PROGRESS CONTINUALLY OCCUR.

*Lincoln on Leadership,
Executive Strategies for Tough Times
Donald T. Phillips*

MISSION STATEMENT

IT IS THE CALIFORNIA ENERGY COMMISSION'S MISSION TO ASSESS, ADVOCATE AND ACT THROUGH PUBLIC/PRIVATE PARTNERSHIPS TO IMPROVE ENERGY SYSTEMS THAT PROMOTE A STRONG ECONOMY AND A HEALTHY ENVIRONMENT.

VISION STATEMENT

IT IS THE VISION OF THE CALIFORNIA ENERGY COMMISSION FOR CALIFORNIANS TO HAVE ENERGY CHOICES THAT ARE AFFORDABLE, RELIABLE, DIVERSE, SAFE AND ENVIRONMENTALLY ACCEPTABLE.

VALUES STATEMENT

The California Energy Commission's highest responsibility is to the people of California. We will strive to conduct business in a manner that results in maximum public benefit while ensuring fiscal integrity and accountability for the expenditure of public funds.

CUSTOMERS AND STAKEHOLDERS

All interactions with the public and others with whom we do business are of utmost importance in carrying out the Energy Commission's responsibilities. Our time, skills, abilities, intelligence, creativity, products and services are focused on these important relationships, with an emphasis on customer service.

HUMAN RESOURCES

The Energy Commission's most valuable resource is its personnel. Each person is to be treated with dignity, respect, fairness and understanding. Managers and supervisors strive to recruit, train, develop and retain employees who are skilled, motivated, creative, intelligent and reflective of the cultural diversity of the public that the Energy Commission serves.

Commissioners and managers are committed to providing the leadership to create a positive work environment for Energy Commission employees that offers opportunities for superior performance, recognition, rewards and professional fulfillment.

PRODUCTS AND SERVICES

We are committed to providing quality products and services that are timely, accurate, reliable, responsive and useful. All staff will strive to continuously improve technologies, processes, structure and the way we provide products and services to the public and other stakeholders.

INTRODUCTION

The year was 1974 and the Energy Commission was born of energy turmoil.

The OPEC oil embargo had caused gasoline shortages and long lines at service stations. Electricity demand was growing at seven percent per year, and utilities were proposing to build several large coal fired plants and 20 to 40 nuclear plants on the California coast to meet the rapid demand growth. In response to these challenges, the Legislature and Governor Ronald Reagan created the Energy Commission to find ways to reduce the state's vulnerability to the price shocks from imported energy and to find environmentally preferable alternatives to nuclear power plants. To fulfill these responsibilities, the Energy Commission was given broad mandates to:

- Be a “one stop” licensing agency for thermal power plants 50 Megawatts or greater and all related facilities.
- Conduct an independent review of demand forecasts and supply options for electricity and natural gas, and to prepare an “integrated assessment of need for new energy supplies”.
- Set minimum efficiency standards for new buildings and appliances to reduce energy demand.
- Encourage research and development of new energy technologies.
- Ensure that the state is prepared for energy emergencies.

Since 1974, major beneficial changes have occurred in California energy markets, including:

- Electricity demand growth has been reduced to a manageable two percent to three percent per year.
- No new large and unneeded nuclear or coal plants have been built (beyond those nuclear plants that were already under construction in 1974).
- New generation technologies have created a thriving competitive market for electricity that is delivering affordable and less-polluting power.
- New pipeline capacity is delivering natural gas to California from a wide range of sources.
- Non-petroleum energy sources have introduced the beginnings of competition and diversity in the market for transportation fuels.

While numerous factors underlie each of these changes, the Energy Commission's policies and programs contributed substantially to them and produced other beneficial results. The Energy Commission also has provided national leadership in solving these seemingly intractable energy problems.

Energy for businesses and citizens is a vital part of California's infrastructure and has a huge impact on the state's environment. The energy problems of avoiding the hazards of nuclear power and the

threats of explosive energy price increases have given way to different problems, including ensuring California obtains the benefits of well-functioning energy markets. In addition, global energy issues such as the rapid growth in energy use in Asia threaten to create instabilities in the long-term energy future. To help solve these problems, the Energy Commission must commit to a smarter and less intrusive role. This new role is highlighted by the fundamental change in the electricity industry as certain segments move from price-regulated monopolies to competitive markets. These changes were codified, in part, in AB 1890, which also addresses many of the public policy issues associated with the shift to competitive markets.

This Strategic Plan describes the Energy Commission's mission and roles in the new energy environment. It is essential that the Energy Commission initiate an ongoing process of change in order to meet the challenges brought by new energy technologies, evolving markets and environmental concerns.

Change: The Role of Government

Over the last 20 years, numerous changes have created a constantly varying menu of problems and challenges for the Energy Commission to address. The future will contain even more changes as the energy industry moves towards greater competition and away from direct government intervention, particularly in the pricing of energy products and services. Accordingly, the Energy Commission must examine its programs and policies to ensure that they still serve the public interest.

Although the 1974 energy crisis has ended, the state faces different, but equally difficult, challenges such as:

- Volatile gasoline and diesel prices and price increases that cause significant public reaction.
- Taking advantage of inexpensive opportunities for significantly reducing energy use and increasing the comfort of buildings.
- Developing the significant amount of technical and market expertise required to support electricity markets to function fairly and efficiently.
- Providing information for decision makers on long-term energy issues so problems can be anticipated and policies created that protect the state from energy disruptions.
- Licensing new power plants in a manner that is timely, consistent for all market participants, and yet fully evaluates the impacts on health, safety and the environment.
- Increasing global transportation energy use that may pose threats to California's long-term energy situation.
- Electricity transmission and distribution, and possibly other functions as well, will remain monopoly services.

As noted, AB 1890 codifies changes in the way utilities will be regulated in California by opening the generation function to competition. AB 1890 also creates new public goods programs, two of

which are to be administered by the Energy Commission. Specifically, AB 1890 requires the Energy Commission to administer:

- \$540 million to be directed towards the support of renewable electricity generation technologies over a four-year period.
- \$62 million per year for public goods research and development on energy-related technologies.

AB 1890 also created a \$235 million per year fund to be spent on energy efficiency programs administered by a new Energy Efficiency Board that complements the Energy Commission's efforts.

In an earlier era, energy problems were addressed with regulatory muscle and political will. Many of today's problems will require the Energy Commission to employ tactics that are less intrusive, such as education and tailored efforts to facilitate well-functioning markets to meet the public's interest in affordable, safe and environmentally sound energy. For example, many solutions can be achieved by "transforming" markets so that consumers have more energy service choices and better information to make energy investment and consumption decisions. In this way, competition can be introduced in a variety of energy products and services above and beyond the generation commodity called for in AB 1890.

Finding smarter solutions will be an even greater challenge to the Energy Commission and its staff than those faced in the past. To achieve its goals, the Energy Commission must recruit, nurture and retain the highest quality staff. The Energy Commission believes these new challenges will be met, and it will succeed in partnership with others to serve the energy needs of California.

Change: Energy Agency Organization

State jurisdiction over energy matters currently rests in the hands of more than one agency. Therefore, efficiency of services and focus on purpose requires and depends upon a strong effort to avoid bureaucratic overlap and duplication of function among those agencies. Accordingly, it is appropriate for every agency of state government to periodically review its own enabling legislation to determine present day applicability and consistency.

The Energy Commission has developed this report using its current legal mandates as a foundation. It is critical, however, that as each state agency creates its own plan for the future, it does so in recognition of overall state policy and organization. Thus, in implementing this plan, the Energy Commission shall initiate discussions with other governmental agencies to develop a cohesive energy program to serve our citizens. To the extent that modification of mandates may be in order, the Energy Commission will develop and offer recommendations to the Legislature for its consideration.

Strategic Planning as an Ongoing Process

Strategic planning requires an organization to conduct a self-analysis by asking and answering deep questions concerning the very purpose of the organization. To do this, an organization must have the desire and ability to accurately perceive all relevant external circumstances. For the Energy

Commission to continue to succeed in the future, it must create an ongoing strategic planning process that constantly scans events, technology and markets, and incorporates that knowledge into its activities. Fortunately, the Energy Commission has always functioned in a changing environment and has a culture that values learning and flexibility. Nevertheless, by institutionalizing a strategic planning process, the Energy Commission will ensure that it will continue to learn and respond in ways that serve California best.

The Energy Commission must prepare for a 21st Century in which it can be expected that:

- The state's population and energy demand will increase.
- Meeting energy demand will require significant investment in energy facilities and the import of additional petroleum products.
- Rising energy demand internationally will increase global environmental impacts and reduce the security of energy supplies to California.
- Science and technology will play an essential role in developing environmentally sound, reliable and affordable energy supplies.

Looking forward, the Energy Commission must focus on a long-term vision for energy use in California. This vision can include:

- Buildings that use zero conventional energy for heating and cooling because they are designed to make optimal use of a thermally efficient building envelope, efficient appliances and solar energy.
- Energy markets that offer consumers a wide range of choice among providers of electricity, natural gas, distributed generation systems, and efficiency services, plus affordable prices, and information and warranties that allow consumers to decide with confidence that the services will satisfy their needs.
- Industries that view minimizing energy consumption and pollution as key to their financial success, and optimize their processes accordingly.
- A California that is regarded as the "Silicon Valley" of energy technology, with California's energy businesses as international leaders in the export of energy equipment and services.
- New light-duty vehicles with an average efficiency of 75 miles per gallon and that use clean and diversified fuels.
- New heavy-duty vehicles using non-diesel fuels.
- The majority of California's electricity supplies coming from renewable sources.

The next section describes the details of the Energy Commission's strategic direction. *Appendix D, Glossary*, defines certain strategic planning and other terms used in this document.

ROLES, GOALS AND STRATEGIES

Role I — Energy Policy

Make energy public policy recommendations based on relevant, objective information and analyses to the Governor, Legislature and other federal, state and local decision makers that promote affordable energy supplies, improve energy reliability and enhance health, economic well-being and environmental quality.

Goal

The Energy Commission recommends objective, analytically-based policies that encourage innovation and effective response to energy issues and needs in a timely manner.

Strategy I (1)

Continuously evaluate California's energy systems, including electricity, natural gas and transportation, and recommend changes to improve all aspects of these systems.

Strategy I (2)

Develop policy recommendations based on relevant public and private costs and benefits.

Strategy I (3)

Retain the 10- to 20-year focus for evaluating the state's long-term energy outlook. An important role of the Energy Commission is to look beyond the short-run market horizon and assess the general trends in energy use, the degree to which energy efficiency is used, the source and security of supply, the potential for price instability, and the environmental implications of the projected level of energy use.

Strategy I (4)

Maintain the state's *Energy Shortage Contingency Plan*.

Role II — Information

Collect targeted energy data and provide policy makers, consumers and other market participants with useful, objective information and analyses based on that data.

Goal

The Energy Commission provides useful, timely and objective information and analyses concerning energy options, facts, trends and issues.

Strategy II (1)

Meet energy information needs for informed government actions and to facilitate well-functioning markets.

Strategy II (2)

Revise data collection regulations to protect the confidentiality of proprietary information in the newly competitive energy markets while maintaining appropriate access to information.

Strategy II (3)

Develop and apply methods, analytical tools, expertise and data to evaluate entire energy systems for all forms of energy, and make the results available to policy makers and market participants.

Strategy II (4)

Project future electrical load growth and, with knowledge of existing and future supply and transmission system resources and constraints, help determine whether system reliability goals are likely to be met, and recommend options to correct or improve the system before problems develop.

Strategy II (5)

Provide timely and accurate information on the effect of disruptions, whether natural or man-made, to our energy supply systems.

Strategy II (6)

Change the time-frame of market-sensitive analyses from a long-term focus to a two- to six-year time-frame to increase its utility and value to market participants.

Role III — Market Programs

Provide services and programs to consumers and other market participants to improve the functioning of energy markets and to encourage the economic, efficient, effective, and environmentally responsible use of all forms of energy.

Goal

The Energy Commission's services and programs enhance the energy industry infrastructure and improve the functioning of competitive markets, resulting in more affordable energy supplies, improved reliability, and enhanced economic well-being and environmental quality.

Strategy III (1)

Examine end-use energy markets and address the information, product, service, or infrastructure barriers that are current impediments to achieving well-functioning markets.

Strategy III (2)

Work closely with the Public Utility Commission's Energy Efficiency Board to implement programs that will facilitate a well-functioning end-use energy market.

Strategy III (3)

Participate and help develop new financing instruments and tools to facilitate increased demand for energy efficiency in existing buildings.

Strategy III (4)

In partnership with public and private stakeholders, take appropriate actions to help reduce market barriers and capture opportunities to facilitate market transformation of advanced electricity, fuel and transportation technologies that provide public benefits.

Strategy III (5)

Use market based mechanisms to implement the Renewables Program created by AB 1890 and other legislative directives to foster renewable technologies which provide public benefits and facilitate their transition to a competitive market.

Strategy III (6)

Promote energy technology export opportunities by facilitating business between California-based energy technology companies and foreign buyers or partners, and through government-to-government relationships.

Role IV — Research, Development and Demonstration

Develop and implement public interest Research Development and Demonstration (RD&D) policies and programs that encourage well-functioning energy markets through advancements in science or technology that promise to enhance California's economy or environment.

Goal

Public interest RD&D policies and programs encourage a well-functioning energy market that provides environmentally sound, safe, efficient, reliable and affordable energy services and products to meet California's electricity, fuel and transportation energy needs.

Strategy IV (1)

Plan and design, in collaboration with private and public stakeholders, programs to conduct public interest RD&D that show a reasonable probability of yielding public benefits in view of the risks, time-frames and costs.

Strategy IV (2)

Efficiently implement and administer the public interest energy RD&D programs in electricity, fuel and transportation energy needs and conduct periodic reviews to ensure ongoing, effective stewardship of funds.

Strategy IV (3)

Establish a program to transfer knowledge and technologies developed from the public interest RD&D program to the marketplace.

Role V — Regulation

Perform regulatory functions as mandated by law.

Goal V(1)

All energy facilities approved by the Energy Commission are designed, constructed, operated, and decommissioned in compliance with all applicable laws, ordinances, regulations, and standards in a manner that protects the public health and safety, preserves environmental quality, enhances the general welfare, and contributes to an efficient and reliable energy system and well-functioning energy market.

Strategy V(1) (1)

Anticipate and seek to resolve potential energy facility licensing issues to avoid delays, reduce conflicts and increase consistency during licensing.

Strategy V(1) (2)

Manage the energy facility siting process so it is efficient and consistent for all projects, allows open public participation, and results in timely and legally defensible decisions.

Strategy V(1) (3)

Monitor approved facilities to ensure they are designed, constructed, modified, operated, and decommissioned in a manner that protects the public's health and safety, environmental quality, and general welfare, contributes to an efficient and reliable energy system, and does not impose unreasonable burdens on project developers.

Goal V(2)

California's building and appliance energy efficiency standards will achieve durable and reliable energy efficiency, be flexible with straightforward compliance approaches, and be the foundation for energy efficient buildings and appliances.

Strategy V(2) (1)

Improve the clarity of the standards and the durability and cost-effectiveness of their energy savings.

Strategy V(2) (2)

Encourage the development of cost-effective and reliable national standards and adopt, where possible, those provisions applicable to California.

Strategy V(2) (3)

Improve compliance with the standards by working with stakeholders to solve problems and improve compliance tools, by providing education and training, and by offering timely interpretation and assistance.

Strategy V(2) (4)

Integrate building standards with market programs resulting in a marketplace that values high-quality, energy efficient buildings.

Role VI — Management

Establish, implement and maintain financial and resource allocation plans, and an organizational structure and information system that supports the Energy Commission in accomplishing its mission, vision and values.

Goal VI(1)

The Energy Commission's information technology infrastructure provides timely and useful energy market information.

Strategy VI(1) (1)

Make information available to users through the most effective means possible, including electronic distribution.

Strategy VI(1) (2)

Implement an annual planning and review process for making decisions on information technology investments.

Strategy VI(1) (3)

Establish an inter-divisional, cooperative process for coordination and resolution of information technology issues.

Strategy VI(1) (4)

Provide, implement and maintain a comprehensive information technology security policy.

Strategy VI(1) (5)

Upgrade the Energy Commission's docket functions to provide for more efficient receipt, protection, maintenance, and retrieval of official records of all proceedings.

Goal VI(2)

The Energy Commission's business is conducted in a manner that maximizes public benefit, responds to public needs, and ensures accountability and fiscal integrity.

Strategy VI(2) (1)

Systematically review the Energy Commission's organization, operations, staffing and committee structure; make recommendations for changes to accommodate new functions; and identify financial resource issues that impact program delivery.

Strategy VI(2) (2)

Increase and maintain open communications, participation in decision making processes and teamwork at all levels.

Strategy VI(2) (3)

Create opportunities for external input and feedback on all programs and activities and build relationships with outside organizations as partners for effectively implementing energy policies.

Strategy VI(2) (4)

Routinely and systematically examine all administrative processes to identify opportunities for improvements in programs and services.

Goal VI(3)

A positive work environment aligned with Energy Commission values promotes individual growth, professional development, accountability, job success and recognition; cultivates open communications; and is safe, healthy and free from all forms of discrimination.

Strategy VI(3) (1)

Explore innovative ways to recruit, hire and retain a talented workforce, and reward exemplary performance.

Strategy VI(3) (2)

Develop and implement a comprehensive training policy and plan that includes allocation of sufficient funds for staff training.

Strategy VI(3) (3)

Consolidate, update and improve the Energy Commission's Employee Health and Safety Program.

Goal VI(4)

The Energy Commission's statutory mandates will be current, necessary and appropriate.

Strategy VI(4) (1)

The Energy Commission will recommend needed changes to the Legislature that will ensure statutory mandates are current and relevant.

Strategy VI(4) (2)

Work with other energy and environmental regulatory entities, such as the California Air Resources Board, California Public Utilities Commission, Oversight Board, and governing boards for the Independent System Operator and Power Exchange, to clarify respective roles and responsibilities.

Goal VI(5)

The Energy Commission's Strategic Plan is implemented effectively and kept current.

Strategy VI(5) (1)

Develop an implementation plan, outcomes and workplans to implement the Strategic Plan.

Strategy VI(5) (2)

Monitor, evaluate progress and take appropriate action as the Strategic Plan is implemented and develop specific performance measures to assess progress in meeting goals. Update the plan as necessary.

Strategy VI(5) (3)

Give program and funding priority to those efforts and activities that most effectively further the goals of the Strategic Plan.

PERFORMANCE MEASURES

Performance Measures provide a basis for assessing the successful achievement of our mission and goals. These performance measures reflect the effort to quantify the most important results of our work. They indicate accomplishment, efficiency, quality and final outcomes.

An important component of the implementation and management of the Strategic Plan is the monitoring and reporting of progress in achieving the Energy Commission's strategic goals. One part of monitoring and reporting will be simple reporting of workplan milestone achievements and the equally simple, but critically important, act of listening carefully to the Energy Commission's clients. The latter reflects a commitment to continue and expand dialogue with stakeholders and users of the Energy Commission's products and services.

The measures of outcome are the most valuable, yet are often challenging to define. As the Department of Finance *Strategic Planning Guidelines* states: "Outcome measures are indicators of the actual impact or effect upon a stated condition or problem. Although outcome measures are generally preferable to efficiency or output measures, since they are most relevant to whether intended public policy goals are met, they sometimes suffer from a lack of proximate linkage to the responsibilities of the administering department."

The *Guidelines* recommend one to four measures per goal. The following approaches represent a step toward finding an appropriate linkage between measures of change in the state's energy systems and the accomplishment of the Energy Commission's goals.

Policy, Information, Program and Regulatory Goals

To the extent possible, performance will be measured in savings to California energy customers as a result of the implementation of Energy Commission policies and programs. Calculation of the savings will be documented and follow understandable and reasonable methodologies. It will also reflect an appropriate adjustment for the effects of other factors influencing energy costs. The overall benefit of these savings to Californians will be shown by extending the calculation to the resulting economic activity and tax revenue generated. The Energy Commission intends to indicate performance measures for the goals in the implementation and monitoring plans.

The Energy Commission's Management Goals

Performance will be measured through monitoring indicators of efficiency such as processing time of contracts and administrative actions, and by documenting the accomplishment of specific improvements in the Energy Commission's organization, management processes and use of information technology. In addition, passage of legislation to update the Energy Commission's statutory mandates will be a key indicator of performance.

APPENDICES

APPENDIX A: STRATEGIC PLANNING PROCESS OVERVIEW

The Energy Commission's strategic planning process began in February 1996 by reviewing what other state agencies had learned in their strategic planning processes, reviewing existing literature, and conducting an internal review of existing programs to determine their relevance to the Energy Commission's core functions. The Strategic Planning Management Team (SPMT) was formed to manage the process and develop the plan.

Phase I

The SPMT interviewed each Commissioner to learn of initial concerns and expectations for the process. The SPMT began working on what became known as the Phase I contract. A contractor selection committee made up of the SPMT and representatives from each Commissioner's office recommended Farnum Alston of The Resources Company. He had extensive experience in agencies similar to the Energy Commission and was co-author, with John Bryson, of the workbook *Creating and Implementing Your Strategic Plan - A Workbook for Public and Nonprofit Organizations*.

The contractor held a series of meetings with the Commissioners, Executive Management Team and others. Four major products were produced in Phase I, one of which was the "Road Map," a 20-page document that recommended an approach for the strategic planning process. It included project assumptions, a strategic planning model, goals and objectives of the three phases of the process, key participants and their roles, and an overall schedule.

The other major products from Phase I included the draft Energy Commission Mission and Vision Statements, Key Challenges and an Initial Action Agenda. The Commissioners developed and agreed on these products in a series of meetings facilitated by the contractor, including the first offsite meeting of all five Energy Commissioners.

Phase II

In this phase, the Energy Commission conducted the heart of the strategic assessment. The process included extensive internal and external stakeholder analyses including surveys, individual interviews, five focus groups and three more offsite meetings. The SPMT and contractor concluded the assessment of the external factors impacting the Energy Commission and produced an External Stakeholder Report. The Commissioners revised the draft mission and vision statements, developed a values statement, and agreed upon the Roles and Goals for the Energy Commission.

Also in Phase II, the Executive Management Team and the Commissioners developed and assessed alternative strategies and outcomes to achieve the vision for the future and to respond to the key challenges. This culminated with one-and-one-half days of public hearings where Commissioners, executives and stakeholders discussed the Plan, especially the strategies.

Phase III and Beyond

In Phase III the Energy Commission wrote the Strategic Plan. It will continue the orientation and training that began in Phase II, and will develop performance measurements.

Implementation of the Strategic Plan must be consciously and deliberately planned, managed and budgeted. The Energy Commission will use the adopted goals and strategies to develop outcomes and action plans which identify resource requirements and allocate resources which most effectively meet the goals. Any consideration of reorganization or internal realignment will be developed in this phase.

Strategic planning does not end once strategies and plans are implemented. Ongoing strategic thinking and acting at all levels of the organization must take into account likely changes in circumstances. The Energy Commission will continue to review implemented policies, strategies, plans, programs and projects to decide on future courses of action. Desired outcomes include maintenance of good strategies, modifications of less successful ones, and elimination of ineffective strategies.

RESOURCE ASSUMPTIONS

The Strategic Plan of the California Energy Commission has as its base the resources appropriated for the 1996-97 fiscal year. The Energy Commission's resource assumption for 1997-98 is reflected in the Governor's 1997-98 Budget proposal as adjusted by the Finance Letter of March 21, 1997.

Implementation of the Strategies will require redirection of resources. These redirections will be reflected beginning with the Energy Commission's 1998-99 proposal for the Governor's Budget. The plan will be accomplished within the 1997-98 resource base.

Additional responsibilities as a result of implementation of AB 1890 and related legislation or other workload increases will result in proposed resource augmentations.

APPENDIX B: EXTERNAL STAKEHOLDER ANALYSIS

The Energy Commission solicited input from the organization's key external stakeholders to effectively understand and meet the needs of those stakeholders. It was felt that this stakeholder feedback would help ensure that the Energy Commission's planning efforts address its customers' most important issues and concerns.

Two approaches were used to gather stakeholder input — focus groups and one-on-one interviews. The Resources Company was designated to conduct these efforts to ensure confidentiality and candid feedback. This appendix contains a brief summary of those focus groups and the interviews conducted.

A total of more than 40 organizations and 50 people participated.

Five half-day focus groups were held with stakeholders from a cross-section of organizations including transportation, public and private utilities, trade associations, the development community, consultants, advocacy groups, public officials, etc.

These focus groups were supplemented by individual interviews with additional organizations and key individuals the Energy Commission selected for their ability to provide specific insight into customer issues. An interview guide was developed to solicit answers to key questions useful in planning the future direction of the Energy Commission.

The primary goal of the focus groups and interviews was to solicit stakeholder feedback on the following questions:

- What are the major challenges facing the “energy industry” of California? How might those challenges impact the Energy Commission?
- What were the stakeholders' needs as customers of the Energy Commission?
- What did they see as the role of the Energy Commission in the future?
- What did they perceive as working well at the Energy Commission? How could the Energy Commission improve and change?
- Finally, what were their comments on the Energy Commission's rough draft “mission” and “vision” statements?

The following briefly summarizes the comments received.

Major Challenges Facing the Energy Industries and How Those Challenges Impact the Energy Commission

- Shifting the paradigm from a regulatory model to a competitive model.
 - Is there a need for an Energy Commission?
 - Shifting roles — regulator to facilitator.
 - Assuming a smaller role in the utilities industry.
 - Shifting risk from the public to the private sector.
- Increasing Energy Commission knowledge and understanding of a free-market environment.
- Determining customer needs.
 - Determining information needs and how to provide information services to its customers.
 - Modifying information requests to the new market environment.
- Adapting to the restructuring of the electric industry (i.e., AB 1890).
- Reviewing the Energy Commission's oversight responsibilities and determining its new roles.
- Eliminating functional overlap and confusion between regulatory agencies.
- Balancing long-term environmental quality with near-term economic efficiency.
- Rethinking alternative energy strategies and mandates.
- Balancing the duality reflected in the Warren-Alquist Act — that of environmentalism and energy supply.
- Increasing collaboration with other government agencies.
- Exploring and developing partnerships with public and private entities.
- The Energy Commission needs to decide how it will integrate the pieces (e.g., energy efficiency and renewable energy) under the new market economy model.
- Developing policy recommendations for a non-intrusive but effective state energy policy.
 - Integrating existing policies.
 - Renaming “integrated resource planning” to “strategic policy analysis.”
 - Considering future renewable energy issues beyond AB 1890.
- The Energy Commission needs to think about its role in transportation planning from an energy efficiency and environmental standpoint.
- Who will translate still-complex regulations into “real world” applications in a free market economy?
- How to deal with the EPA's proposal to tighten ozone levels by mandating particulate matter of 2.5 in the summer of 1997 (encouraging the use of natural gas)?
- The issue of “retrofitting” must be addressed in terms of whether or not it is worth doing and, if so, what are the appropriate incentives to encourage industry to do so?

The Energy Commission's Role in the Future Should be to:

- Support and facilitate consumer choice and a competitive energy market.
- Act as the Governor's and Legislature's policy adviser on broad, global, national and state energy-related issues.
 - Continue to evaluate and assess state energy policies in light of the national and international energy market.
 - Be an independent third party in the energy process.
- Provide selected information and data needed by customers — industry, public consumer and policy makers.
- Facilitate and expedite the siting of power plants while balancing public needs.
 - Serve as a “one stop shop” for siting.
- Continue to guarantee energy efficiency by ensuring that adequate research and development funding exists and appropriate partnerships are created.
 - Encourage the renewables market and alternative energy technologies.
 - Focus on existing commercial and industrial construction for energy efficiency.
- Provide state-wide, energy-related emergency contingency plans.
- Reevaluate forecasting programs and efforts and redirect them to meet the needs of specific organizations (i.e., small businesses).
- Work with the air districts to capitalize on the public's concern for clean air in order to get additional support for energy efficiency.
- Redefine the Energy Commission's role regarding energy issues and usage.
- Take the leadership role in re-engineering the local, state and federal agencies' involvement in energy in order to reduce redundant programs. Clarify overlapping functions and jurisdictions with the objective of streamlining and improving efficiency.
- Serve as an independent arbitrator in resolving market disputes that might impact the provision of adequate power to meet public needs.
- Work in partnership with local regulatory and land use agencies (i.e., city, county and regional planning commissions) in order to maximize effective use of limited energy resources.
- Assess the economic case for renewables.

What is Working Well at the Energy Commission

- Perceived as doing a good job implementing AB 1890 so far.
- Acts as an historical resource and clearinghouse for energy data.
- Recognized as having made major efforts in increasing energy efficiency (i.e., through consistent building code standards).

- The standards set by the Energy Commission are well balanced.
- The ongoing allocation of renewable funds is viewed as a success.
- Established credible forecasts.
- Perceived as having effective emergency plans that are seen as necessary and important.
- Overall, external and internal communications at the Energy Commission are viewed as improving (i.e., the website is a good information source).
- Commissioners are accessible and willing to make decisions.
- The siting licensing process has been improved and streamlined.
- Recognized international leader in establishing energy policies and programs.
- Over the last several years, the Energy Commission staff and management have been perceived as becoming better customer-service oriented.
- Presented programs that show a good balance between public and industry interests.
- Perceived as being fairly politically independent.
- Staff perceived as having good technical expertise, tools, methodologies, and models.
- Use of information technology has increased the public access to Energy Commission information - Web site.

How the Energy Commission Could Improve

- The Energy Commission is involved in areas outside its core business functions (e.g., International Energy Fund, forecasting, transmission issues) and should not be doing some of these activities.
- There are too many public entities, like the Energy Commission, compiling the same data and asking industry to supply the raw data. (redundancy)
 - Needs to analyze the functionality, usefulness and impacts on the customer before compiling the data for a report.
- There is regulatory and jurisdictional overlap between governmental agencies and a need to clarify and streamline roles and responsibilities.
 - In the new market environment, inefficiencies of this sort will be passed on in higher prices to the consumer.
- Commissioners and staff are inconsistent in their responses to stakeholders' questions regarding energy policies and procedures.
 - There is poor communication at the Energy Commission's upper levels (Commissioners, management and staff).
 - Staff appears to circumvent the Commissioners.
- Needs to interface more effectively with other state departments.
 - CPUC and Energy Commission energy policies seem inconsistent.
 - There has been strong support for focus group and other alternative public input processes.

- The “public” outreach and feedback process needs significant improvement.
- Numerous Energy Commission mandates are dated, need to be changed or are not fully implemented.
- The Energy Commission has no overall, integrated strategy or policy framework.
- Needs to increase its public and private partnerships with local special (Air) districts.
- Organizational structure, itself, appears fragmented across programs, giving the impression that the Energy Commission does not understand, or is not in a position to handle, the “big” picture.
 - Energy Commission has limited jurisdictional authority and funding.
 - Contracting for professional services needs improvement.
 - There is a need to continually improve staff and management competencies and performance.
- Should increase the use of information technology to improve customer service — electronic filing of permits and applications has been well received.
- There is a critical need to evaluate the usefulness of existing Energy Commission publications and reports with external users.

External Stakeholder Participants

- Tom Adams, Program Manager, *Proven Alternatives, Inc.*
- Aeron Arlin, Environmental Coordinator, *Western States Petroleum Association*
- Carl Blumstein, *UC Energy Institute*
- Del Bosowski, *Modesto Irrigation District*
- Cheryl Carter, *Natural Resources Defense Council*
- Gary Clifford, Manager, Energy Services Western Region, *Cenex*
- Jack Coffey, Manager, California State Relations, *Chevron Company*
- Jim Cole, Executive Director, *California Institute for Energy Efficiency*
- Dennis DeCota, Executive Director, *California Service Station and Automotive Repair Association*
- Marcie Edwards, Director of Bulk Power, *Los Angeles Department of Water and Power*
- Eric Eisenman, Manager, California Marketing, *Pacific Gas Transmission Company*
- Jim Fieder, Regional Manager, *Western Area Power Administration*
- John Fielder, Vice President, Regulatory Policy and Affairs, *Southern California Edison*
- Jesse Fredericks, President, *Consumers Utility Brokerage Inc.*
- Mike Gable, Board Member, *California Association of Building Energy Consultants*
- Peter Guisasola, President, *California Building Officials*

- Fred John, Senior Vice President, Public Policies and Law, *Pacific Enterprises*
- Gerald L. Jordon, Executive Director, *California Municipal Utility Association*
- Robert Kuntz, Ph.D., President, *California Engineering Foundation*
- Jody London, Director, *Working Assets Inc.*
- Gavin McHugh, Manager, Public and Government Affairs, *Texaco Refining and Marketing*
- Carl Moyer, Chief Scientist, *Acurex Environmental*
- Christina Nagy-McKenna, Director, CPUC Gas Regulatory Policy & Analysis,
Pacific Gas and Electric Company
- Alvin Pak, Senior Counsel, Regulatory Relations, *Electric Power Research Institute*
- John Patton, Director, *County of Santa Barbara Planning and Development*
- Mark Pisano, Executive Director, *Southern California Association of Governments*
- Robert Raymer, Technical Director, *California Building Industries Association*
- William Reed, Vice President, Regulatory Affairs, *San Diego Gas & Electric Company*
- Steve Robinson, Sales Engineer, *Viron Energy Services, Inc.*
- Rick Shapiro, Vice President, Government Affairs, *ENRON*
- Rich Sommerville, Director, *San Diego Air Pollution Control District*
- Juleen Stenzel, Senior Labor Relations Representative, *California State Employees Association*
- William Stevens Taber, Jr., Chairman, *Princeton Development Corporation*
- Allen Thompson, *Attorney at Law*
- Mark Timmerman, Lobbyist, *California Manufacturers' Association*
- Kathy Treleven, Assistant to Vice President for Policy Coordination, *Pacific Gas and Electric Company*
- Emilio Varanini, Senior Partner, *Marron, Reed & Sheehey*
- Phil Vermeulen, *Silk Roads Ltd.*
- Gregory Vlasek, Executive Director, *California Natural Gas Vehicle Coalition*
- Barry Wallerstein, Deputy Executive Director, *South Coast Air Quality Management District*
- Tom Willoughby, Manager, State Government Affairs, *Pacific Gas and Electric Company*
- Terry Woolsey, Senior Energy Adviser, *Region 9, EPA*
- Eric Woychik, President, *Strategy Integration (and UCAN)*
- Bill Woods, *Calpine Corporation*

APPENDIX C: INTERNAL STAKEHOLDER ANALYSIS

The Energy Commission determined it was necessary to obtain candid feedback from its employees. The Energy Commission believed that, to be successful, the strategic planning process must facilitate effective participation of internal stakeholders from all levels within the organization.

In November 1996, the Strategic Planning Management Team (SPMT) distributed a detailed questionnaire to more than 500 Energy Commission employees (from students to Commissioners). The survey was based upon questionnaires developed by the Energy Commission's consultant, The Resources Company. The SPMT was instructed to maintain confidentiality of the responses so that the Energy Commission would receive candid feedback. The survey contained 56 questions in the following areas:

- What are the key functions and program activities that are working well?
- What are the Energy Commission's strengths or assets?
- What makes the Energy Commission different and unique?
- What are the most critical challenges and issues facing the Energy Commission?
- What are the most obvious opportunities for the Energy Commission?
- What should be changed about the Energy Commission?
- What are the potential "barriers" or weaknesses facing the Energy Commission?
- Comments on the Energy Commission's mission, vision, programs and services.
- Comments on the Energy Commission's responses to stakeholders.
- Comments on the Energy Commission's use of information technology.
- Comments on Commission-wide decision making and management.
- Comments on the work environment.
- Any other issues that employees would like to see addressed as part of the strategic planning process.

The SPMT received more than 200 responses (about 40 percent). The quantity and quality of responses were very impressive. Many participants put substantial effort into analyzing situations and suggesting improvements. The SPMT compiled the responses into a large data file resulting in 300 pages of comments. The results were summarized into Division-specific and Commission-wide reports. The Energy Commission summary was presented to staff in a series of all-staff meetings to obtain additional thoughts, ideas and input from staff. Feedback was received at these meetings and through e-mail discussion forums. Other materials were sent directly to the SPMT.

In response to the overall "Roles and Goals" developed by the Commissioners, division and office staff also became directly involved in the drafting of proposed strategies for consideration in completing the Strategic Plan.

The following is a summary of the staff survey comments.

Key Strengths and Assets

- Dedicated, committed, knowledgeable, intelligent, experienced, skillful, and/or remarkable staff and management.
- Strong analytical ability.
- Professional expertise in energy issues.
- A credible source of information on energy efficiency technology and financing.
- Effective siting and monitoring procedures for new energy facilities.
- Building and appliance efficiency standards — the attempt to simplify and improve.
- RD&D functions, contracts and program activities that seem to stay current.
- A respected source of independent data collection analysis and policy development.
- An ability to balance private market efficiency with public policy goals.
- Premier expertise in modeling electrical systems operations and transmission.
- Participation in restructuring leadership in AB 1890/Restructuring/CPUC activities.
- Public input-gathering process/providing a forum/developing consensus.
- National reputation as the leader in energy policy issues and energy programs.
- Open public process — facilitating disputes, mediating compromises among differing parties. Bert Fegg humor is alive and well.
- The ability to bring together analysts from different market areas to discuss common or overlapping problems, allowing for a dialogue between analysts related to how energy markets interact.
- Energy Commission managers, from Commissioners on down, are willing to back professional staff in controversial situations to the extent of taking professional risks, if necessary.
- The Energy Commission structure and its implementation has been conducive to interaction with energy stakeholders and the public to achieve balanced public policies and regulations.
- Uniquely positioned to provide public education services if appropriate programs are put into place.
- The Energy Commission will be the only repository of total energy consumption data.

Key Challenges and Themes

1 Strategic Direction

- Strategic Planning — Mission/Vision — needs to be clear and communicated to all.
- Mission/Vision need to incorporate “new” mission of restructured industry.
- Mission/Vision need to be linked to leadership and decision making.
- Mission/Vision need to be related to “reinventing” and reorganizing the Energy Commission.
- Mission/Vision need to reflect specific program review and suggestions.

2 Management of Change

- Need better response to accommodate and adjust to changes and uncertainty.
- The Energy Commission is too “risk averse” — we need to be more proactive about how we approach change.
- Lack of clear priorities — gets in the way of effectively responding to change.
- Need more training to help us better manage the change process.

3 The Commission Roles and Responsibilities

- Need to define new roles in AB 1890 and “restructuring.”
- Need to update and clarify current roles of the Energy Commission.
- Need to address and clarify internal operating roles — i.e., Commissioners and Executive Office.

4 Mandates

- Old vs. New — need to update Warren-Alquist mandates to better reflect changes.

5 Funding

- Diminishing and uncertain — need to explore options.
- Need Governor’s Office and Legislative support.
- Link strategic planning to Budget Change Proposals.

6 Commission Organization Effectiveness

A Structure

- Need to clarify internal roles and responsibilities.

- Need to address and decide internal reorganization issues — Energy Commission or department question? New organization structure question?
- Need for better coordination and team emphasis — “Unified.”

B Management

- Need to clarify internal roles and responsibilities.
- Need to improve leadership, priority setting and decision making.
(need clear priorities and accountability).
- Need for better people management.
- Need to improve internal and external communications.
- Need to cut bureaucracy and streamline processes (i.e., decision making).

C Operations

- Need better performance feedback and recognition of staff.
- Need to improve internal communications with staff.
- Need more training and development — dollars and support.
- Need to cut bureaucracy and streamline processes and procedures.
- Need to improve how technology and computer services are used.

7 Commission Stakeholder Relations

A External

- Need to improve getting the message out — better communications/access.
- Need to assure greater recognition of our value by stakeholders.
- Need to have better coordination and improve external partnerships.

B Internal

- Need to find ways to get greater involvement of Energy Commission staff — all levels.
- Need for better communication and feedback loops.

8 Commission Expertise

- Need to maintain the high caliber staff and high level of technical expertise.
- Need to better utilize the staff expertise and experience.
- Need to keep current on developing technical expertise.

APPENDIX D: ORGANIZATION AND FUNDING

The Governor appoints five members to the Energy Commission for staggered five-year terms, subject to Senate approval. Each Commissioner represents a field of expertise: engineering, law, economics, environment, and public-at-large. The Energy Commission nominates and the Governor appoints a Public Adviser who is responsible for ensuring that the public and other interested parties are able to participate in Energy Commission proceedings.

The Commissioners appoint an Executive Director who manages a staff currently organized in five divisions:

- **Energy Information and Analysis Division**, which is responsible for collecting and analyzing data on energy demand and supply options, and planning for and directing the state's response to energy emergencies.
- **Energy Technology Development Division**, which is responsible for developing alternative energy technologies.
- **Energy Efficiency Division**, which is responsible for promoting energy efficiency.
- **Energy Facility Siting and Environmental Protection Division**, which is responsible for licensing power plants and providing environmental expertise to other Commission programs.
- **Administrative Services Division**, which provides administrative support to the Energy Commission.

The Executive Office contains two offices:

- Office of Governmental Affairs, which develops proposed legislation and provides analysis of energy related legislation.
- Office of Media and Public Communications, which provides news and information to the public on Energy Commission programs, and administers the Commission's Internet site.

Finally, the Energy Commission has legal counsel organized in two offices:

- Chief Counsel's Office, which provides legal support to the staff and Commissioners.
- Hearing Officers' Office, which provides attorneys to serve as hearing officers to assist the Commissioners in conducting quasi-adjudicatory proceedings.

The Energy Commission receives funding from both the state and federal governments. State funding comes from a surcharge on all electricity sales in the state of two one-hundredths of a cent (\$0.0002) per kilowatt-hour, which amounts to about 10 cents per month for an average household.

Over the last 10 years, a substantial amount of federal funds have been provided to California from the Petroleum Violation Escrow Account (PVEA), and much of that has been included in the Energy Commission's budget on a pass-through basis. The PVEA funds are money paid by oil companies as

restitution for overcharging U.S. consumers from 1973 to 1981 during a period of oil price controls. Since 1986, \$294 million in PVEA funds were appropriated to the Energy Commission, which were passed through to recipients in the state.

The Energy Commission's total budget was approximately \$72 million for the current fiscal year (FY) 1996/97. A large portion of these funds were passed through to support business and government energy projects (\$33 million), while the remainder were for the Energy Commission's personnel and operating expenses (\$39 million). These resource levels will begin to increase in FY 1997/98 with additional funding to support electricity research and development and the state's renewable energy industry. The overall budget for 1997/98 is expected to be \$122 million, with \$81 million for pass-through projects and \$41 million for other program support, including personnel and operating expenses. Currently, the Energy Commission has 472.3 authorized positions. The Governor's Budget for Fiscal Year (FY) 1997/98 reflects the Energy Commission's funding levels and positions as summarized below:

FINANCIAL (dollars in millions)	FY 95/96 Actual	FY 96/97 Estimated	FY 97/98 Proposed
Funding:			
General Fund	-0-	-0-	-0-
Appropriated Funds			
Motor Vehicle Account	0.1	0.1	0.1
Diesel Emission Reduction Fund	0.3	0.2	0.3
Public Interest RD&D Program Fund	-0-	-0-	25.7
Public Interest Renewable Resource Fund	-0-	-0-	45.7
Energy Resources Programs Account	31.4	33.4	33.0
Energy Tech Rsch. Develop & Demo Acct	0.5	1.7	0.8
Geothermal Resource Develop Account	4.8	4.5	3.5
Petroleum Violation Escrow Account	8.9	8.5	6.5
Katz School Bus Fund	3.9	5.8	0.7
Reimbursements	0.2	0.8	1.2
Non-Appropriated Funds			
Energy Conservation Assist Account	1.8	6.6	1.9
Lighting Device Funds	0.2	0.1	0.01
Local Jurisdiction Energy Assist Account	1.0	2.8	0.9
Federal Funds	4.7	7.5	6.5
Total Funds	\$57.8	\$72.0	\$126.8
Total Expenditures	\$57.8	\$72.0	\$126.8
FULL -TIME EQUIVALENT (FTE) POSITIONS	FY 95/96 Actual	FY 96/97 Estimated	FY 97/98 Proposed
Authorized Positions	496.3	472.3	468.4
Personnel Years	454.9	442.6	440.2

APPENDIX E: GLOSSARY

Action Plan

A plan for the day-to-day operation of a business over the next one to twelve months. It includes a prioritized list of proposed projects as well as plans for all projects that have been funded. The action plan should be reviewed and updated periodically.

Goal

A long-term target that states what the organization wants to accomplish.

Leadership

Leadership is the art of mobilizing others to endeavor for shared aspirations. Leaders perform political, spiritual and intellectual functions as well as managerial and group-maintenance tasks. It's doing the right things.

Mission Statement

A statement of organizational purpose. It reflects the reason for the agency's existence.

Outcome

A measurable result or accomplishment that indicates success or progress in implementing the organization's strategies and reaching its goals.

Performance Measure

A means of objectively assessing the results of programs, products, projects, or services. It is the quantified result to be achieved. It provides a basis for assessing successful achievement of the agency mission, goals and objectives.

Role

A key function of the organization or what it is here to do.

Stakeholder

Any person, group or organization that can place a claim on an organization's attention, resources or output, or is affected by that output.

Strategic Planning

A disciplined effort to produce fundamental decisions and actions that shape and guide what an organization is, what it does and why it does it.

Strategy

The approach or means by which an organization intends to accomplish a goal.

Teamwork

Teamwork represents a set of values that encourages behavior such as listening and constructively responding to points of view expressed by others, giving others the benefit of the doubt, providing support to those who need it and recognizing the interests and

achievements of others. Teamwork encourages and helps teams and organizations succeed, but teamwork alone never makes a team.

Values Statement

A description of the code of behavior — in relation to employees, other key stake-holders, and society at large — to which an organization adheres or aspires.

Vision Statement

A description of what an organization will look like if it succeeds in implementing its strategies and achieves its full potential. It is an ideal and unique image of the future.

Well Functioning Energy Markets

Fair and efficient well-functioning energy markets have the following four basic characteristics:

- **Workable competition** that motivates rival sellers to supply a variety of energy related goods and services, including different levels of energy efficiency, that satisfy diverse customer needs and circumstances at competitive prices.
- **A customer friendly information environment** in which customers can readily obtain and process trustworthy information that enables them to reliably compare the prices and energy related qualities of different products offered by rival suppliers.
- **A positive legal and regulatory enforcement infrastructure that**
 - minimizes undue barriers to the entry of new energy service suppliers, provides for internalization of environmental damages in competitive prices, in order to balance mitigation and damage costs.
 - where necessary, provides for expeditious redress of legitimate customer complaints about defective energy related goods and services.
- **A positive and innovative learning environment** where all the market's characteristics, taken in their entirety, motivate rival entrepreneurs to compete by innovatively discovering heretofore untapped energy and energy efficiency opportunities. It empowers customers to learn how new more energy efficient products and practices may better satisfy their needs and circumstances.

Sources: Department of Finance, *Strategic Planning Guidelines*; John M. Bryson and Farnum K. Alston, *Creating and Implementing Your Strategic Plan, A Workbook for Public and Nonprofit Organizations*; Kouses and Posner, *The Leadership Challenge*; Charlotte Bunch, *Passionate Politics*; Bryson, *Strategic Planning for Public and Nonprofit Organizations*; Jon R. Katzenbach and Douglas Smith, *The Wisdom of Teams*.

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Pete Wilson, *Governor*

THE RESOURCES AGENCY OF CALIFORNIA

Douglas P. Wheeler, *Secretary*

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Michal C. Moore, *Commissioner*

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